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CENTRAL PACIFIC RAILROAD.

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COPY LETTER

OF

24 June, 1898,

Hon. JOHN T. DOYLE

TO

WALTER MORSHEAD, Esq.

June 24 1898

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CENTRAL PACIFIC RAILROAD.

*Copy Letter of 24 June, 1898, Hon. JOHN T. DOYLE
to WALTER MORSHEAD, Esq.*

Menlo Park, California.

June 24th, 1898.

W. Morshead, Esq.,
The Albany, Piccadilly,
London, W.

DEAR SIR,

Your letter of June 8th, with accompanying newspapers, is at hand, and is the first evidence I have had of earnestness on the part of anyone professing to act in the interest of the C. P. Stockholders. I have never doubted that Huntington was running at least one (and perhaps more than one) of the various stockholders' committees; *which* one, it was difficult to conjecture, especially as little can be learned here of what any of these organizations are doing. The first manifestation of discontent by the stockholders, that we know of, came from Mr. Bretherton. I believe that he came out here, but, if so, I did not meet him, nor hear of him before he had left. I learned afterwards that he had a large block of stock, and represented more; that after a demand of some sort on the Company's managers, and threats of action, he was appeased by an arrangement which

provided, *inter alia*, for a position with a good salary and little to do as an agent for the Company in London. Thenceforth I regarded him as attached to Mr. Huntington's interests. He has been here twice since, and his doings mentioned from time to time by the daily papers, and nothing that I have learned of his conduct has tended to contradict this inference until the last election of directors, which may or may not be so construed. You ought to be able to learn more about him in London than I can here. I understand that he answers for over 30,000 shares of stock, and acted with the Banbury Committee and Mrs. Stanford at the late election. The next opportunity of communicating with the English Stockholders was the visit of Sir Rivers Wilson; when he reached this State he was met at the frontier, like a foreign sovereign, by the officials of the S. P. Company, who took him in charge and of course took great pleasure in showing him everything about R. R. business that they desired him to know. He had a private car, and every facility for observation, and courteous and attentive gentlemen to point things out. Providence having so ordered it that you cannot learn much of a railroad's financial management by the use of your external senses, which only show the tracks, depôts, cars, &c., all that poor Sir Rivers learned on his journey through the State was what these courteous officials deemed it judicious to show him, as they accompanied him from the State Line at Fort Yuma to Oakland Pier. He was then bespoken socially, for they appreciated his social qualities highly, and he had a succession of dinners, lunch-parties, &c.—at least, the newspapers so reported. At last, as the end of his visit drew near, it was said in the newspapers that he was at the Palace Hotel, in San Francisco, and I called on him there, taking with me the Mayor of the City to vouch for my reliability and disinter-

estedness. The substance of our interview, as regards that subject, is told in the paper sent Mr. Banbury a few days since, addressed to your care, and accompanied with the request to show it to you. As your letter indicates such relations between Mr. Banbury and yourself as may perhaps lead him to disregard this request, I have had a copy of the paper typewritten, and send it with this. My reason for enclosing it to Mr. B., instead of yourself, was that I had already communicated it to Mr. Andrews (or Mr. Morrison, his associate), whom I understood to be in correspondence with you, and therefore considered it likely that you were already in possession of the facts through him.

You have, therefore, now the outline of this fraud, and it is a typical case. The ordinary measure of relief granted by a Court of Equity in such a case would be to treat the guilty trustees as acting, throughout, without compensation, for the benefit of their *cestuis que trust*, to whom are decreed all the profits of the transaction without any allowance for the labour, trouble, or risk to the guilty parties. This would make the Central Pacific Railroad Company the owners of all the stock of the Southern Pacific road, and entitle it to an accounting from the trustees of all the profits they made on the sale of the S.P. bonds over the cost of building the road, perhaps from seven to ten million dollars.

My letter to Sir Rivers Wilson of January 17th, 1895, will give you abundant reasons why it is preferable that such a suit should be brought by the Company in its own name; but for this the action of the Board of Directors would be necessary, and that cannot be had, as the Banbury Committee has (foolishly, as I imagined, but collusively as you appear to think) re-elected as directors the same old crowd of dummies originally installed by Huntington, and accustomed to obey his nod, with the single exception of Mr. Gates (his brother-

in-law, I believe), who is left out to prove their opposition to the person whose rule they obey.

You are in error in supposing the opposition between Mrs. Stanford and Mr. Huntington to be fictitious. The feud is very real. It antedated Stanford's death and crops out on frequent occasions. Mrs. Stanford is a very genuine and sincere woman. She refused social recognition to Mrs. Huntington for reasons quite satisfactory to most people, for which and other causes Huntington hates her thoroughly. She named Judge Spencer as her representative on the Board at the last, as on the previous elections, and she had 32,000 shares of stock to back her demand, which was seconded as of course. Mr. Bretherton's stock was represented by his proxy, Mr. Eels, a gentleman of high character, who was voted into the Board in the same way. The Banbury Committee Stock, some 300,000 and odd shares, was voted, I understand, by Mr. Steel, the manager of the London and San Francisco Bank, to whom authority for the purpose was sent. He really had the control of the election, and must, of course, be held responsible for the choice of Mr. Huntington's creatures, Roqua, Mills, Thompson, and Kirkpatrick, unless he was merely obeying orders in what he did. I am not acquainted with Mr. Steel, as he has but recently taken Mr. Scrivener's place, and not being actively engaged in business I have not happened to meet him. I accounted, in my own mind, for his ridiculous election of those dummy directors, by the fact that he was but recently arrived and but little acquainted here, and as manager of a bank naturally disinclined to antagonise so large a borrower of surplus funds as Mr. Huntington, especially at a time of financial dulness. Indeed, unless he had special directions to the contrary, the re-election of former directors would be quite natural. I did not observe the result of the election at

once, but a few days after it came off, I saw newspaper mention of the consolidation of the California Pacific Railroad with the Southern Pacific. This was so plainly a blow at the Central, that I at once inferred that the election in the latter Company had gone against Mr. Huntington. I went to the city next day to inquire, and presently got at the facts. While my information did not entirely account for all that had occurred, it left me still of opinion that Mr. Steel's vote resulted from nothing worse than indifference, and lack of information. I did not surmise any collusion between the Banbury Committee and Mr. Huntington.

The death of Judge Spencer and the prompt election of Mr. Scott, at a meeting from which Mr. Eels was absent, showed what sort of a board Mr. Steel had chosen. I have no doubt that Scott's name was suggested by Huntington, probably in the mildest possible way and not unlikely to Mr. Mills, who is very bright and can readily understand half a word. Mr. Scott, was, I suppose, consulted by telephone, as to accepting, and came up to the office where he was assured by the four Huntington directors, whom he found in session, that his name was satisfactory to all, and having thereupon consented to act, was at once endowed with a few shares of stock and elected. Most of his friends were, I think, persuaded that he would promptly resign when he learned that he was not satisfactory to Mrs. Stanford, and were disappointed by his refusal to do so. He however declined and has gone either to the East or to Europe, as if to escape unpleasant discussion of his conduct. This, occurring at a moment when the government is about to build three battleships, is not entirely intelligible unexplained. I have heard it said by one deeply interested that Huntington promised him the United States senatorship, which was to be filled next winter, and it is possible that he added an undertaking to

take care of his interests at Washington in the award of naval construction contracts. This is, of course, all guess work.

I have gone more into detail about this business than I set out to do, and must pass to other subjects. Congress will not remain much longer in session, and even if he could come now Sir William Marriott's visit would probably be too late to do any good. Things are too much crowded at the close of the session. If as Chairman of your committee he or you would address a letter to Senators Stephen M. White and George C. Perkins of this State or Senator John T. Morgan of Alabama (or any of them) at Washington in the sense you have indicated, stating that your committee represents European stockholders who desire a judicial ascertainment of the amounts and priority of the liens, that you may arrange to reorganize the company on the basis of full payment and a clear title, it may do much good. Huntington's present scheme is to have the ascertainment of the debt and priorities left to a commission of executive officers and on their report to get a Bill passed, apparently favourable to the Company in reducing its interest, but pregnant with a damnable Congressional confirmation of the villainous *century lease* to the Southern Pacific Company, which is sucking out its life blood. The danger is that with the public attention engrossed by this Spanish war, his measure may slip through unnoticed. It is in the shape of an amendment to a deficiency Bill, and if it can be tagged to that, it will probably go, as that sort of bills always pass. A great advantage to the Stockholders in a foreclosure would be that the Government lien will, in all probability, be declared the first incumbrance on the road (see printed pamphlet herewith). The holders of what are called the First Mortgage Bonds will then be compelled to cast their lot with the Stockholders and

aid in reorganizing the Company on some basis just to both parties.

If any of your Committee can come to this country on this business it is to San Francisco he should come ; and let his visit be unannounced and unknown. I will put him on the track of plentiful information and proofs of no end of rascallities. After having acquainted himself with facts he may disclose his errand to Mr. Huntington's people, if he thinks best to do so. As to a suit in the name of a stockholder on behalf of the Company against the dishonest trustees, it need not, in my opinion, involve any overwhelming expense. In my communication to Sir Rivers Wilson I have stated reasons why the suit should, if possible, be brought in the name of the Company ; but if brought in that of a Stockholder on its behalf, there are three results that might attend it, and these contingencies should be contemplated in advance. The first is that the Directors chosen at the next election may decide to take the quarrel off the hands of the individual plaintiff, and prosecute for the Company's benefit themselves. As this could only be done by consent it would, of course, involve repayment of the expenses incurred down to that time. The second is that Mr. Huntington might, as has always heretofore been done, in similar cases, come to a compromise with the individual plaintiff by a purchase of his Stock, this outcome evidently involves a like provision for indemnity. The third is that he should let the suit take its course and abide the result. Of that there is but little chance because it would be pretty near ruinous to him in the way of frustrating his other purposes. But if adopted need give the plaintiff no apprehensions, for Huntington's case is quite indefensible, as any lawyer before whom you lay the papers must advise you. The nearest to a satisfactory result that he could hope for would be to weary the plaintiff into a state like

somnolence, and this even would scarce suit him, because the pendency of the suit would alone frustrate other schemes he has in view, and besides, being now over seventy-five, his chances of life are not long, and he must suppose that his successors in interest are not likely to defend his ill-gotten millions, with his own tenacity. They would invariably compromise, to secure a distribution of his wealth to themselves whilst yet they might enjoy it. The more probable contingency, however, is either the first or second of those above suggested. If the Banbury Committee is, as I have assumed, really acting in the interests of the shareholders, they can scarce fail at the election next April to take the control of the Company out of the hands of Huntington and adopt the suit. If they are not, their failure to do so after the exposure the Bill in this case would make, would show that they are really run by him, after which they could scarce hope to retain the confidence of their constituents. I should much regret to have all the trouble I have taken in opposing and exposing these rascalities lead to nothing but a compromise with an individual stockholder, unless it also brought about a cancellation of the hundred year lease, and establishment of the independence of the Central Pacific Railroad from Huntington's control, for that is where the interest of California and San Francisco lies. But in law, as in war, we have sometimes to take chances, and trust to our own ability to prevent wrong.

As to expense of the proceedings, it is quite usual here where the plaintiff is unable or unwilling to risk a considerable outlay to arrange for these on the basis of a fee contingent on success, and measured by the amount of the recovery, and the law actually sanctions such contracts. In view of this I have no doubt you could arrange to have the action commenced and taken in charge by competent counsel

for a cash outlay of say £250 or £300 sterling, and a contingent compensation to be agreed on.

I will scarcely write again to any one on this subject, at such length as I have here. The trouble with you people is, that you know almost nothing of the Company in which you have invested, and are only acquainted with one man who knows anything, viz., the one who swindled you into it. If you have put any considerable sum into it as indicated by your letter, it would pay you better to come to California and learn about it on the spot, than any other summer excursion you could take, and probably prove quite as agreeable as any.

Yours respectfully,

(Signed) JOHN T. DOYLE.

